

*Anna Visvizi**
*Joanna Stryjek***

The Geo-economics of the ENP: The Eurozone Crisis and the Global Financial Crisis¹

Introduction

The global financial and the euro area crises highlighted how fragile the institutional set-up of today's world is.² Moreover, these crises reminded us that questions of international collaboration and multilateralism as well as questions of security, in all its dimensions, remain as valid as ever. Arguably, the European Union (EU) and its member-states, to a varying degree, were all affected by primary and secondary implications of the global financial crisis. The euro area crisis and the resulting economic recession across the EU, followed by the need to introduce socially unpopular and politically costly counter measures, added to the crisis-related strain that the EU member-states endured. In this context, the question emerged how the European Neighbourhood Policy (ENP) and the politics of its implementation will be affected by the series of interconnected crises that were triggered by the collapse of Lehman Brothers in 2008.

From a different angle, the twin global financial and the euro area crises had significant implications for the ENP partner-countries them-

* **Anna Visvizi** – Ph.D., Associate Professor, Deree-The American College of Greece & Head of Research, Institute of East-Central Europe (IESW), e-mail: avisvizi@gmail.com.

** **Joanna Stryjek** – Ph.D., Assistant Professor at the Institute for International Studies and Deputy Dean of Bachelor's Studies, Warsaw School of Economics (SGH), e-mail: jstryj@sgh.waw.pl.

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² *Kryzys gospodarczy 2008+test dla stosowanej polityki. Metody przeciwdziałania i ich skuteczność* [The economic crisis 2008+ test for policies implemented. Counter-measures and their efficacy], ed. K. Żukrowska, Oficyna Wydawnicza Szkoła Główna Handlowa w Warszawie, Warszawa 2012.

selves, including the volumes of trade exchange, investment levels, and – perhaps most importantly – social unrest. It might be an overstretch to argue that there is a direct causal relationship between the prolonged implications of the global financial crisis and the euro area crisis and the Arab Spring, the annexation of Crimea or the war in Ukraine. However, it may be true that an indirect correlation among them exists. To argue that a nexus unfolds among economic developments, issues and processes and socio-political developments of greater scale, essentially indicates that the concept of geo-economics is called upon. Indeed, frequently referred to in the literature, the concept of geo-economics stresses “that there are geo-political consequences of essentially economic phenomena”.³ Introduced by Luttwak (1990),⁴ the concept of geo-economics gains momentum today.⁵ One of the reasons explaining its rise in popularity is the emergence of new economic powers and their impact on the dynamics and modes of collaboration at regional, international and global levels. Increasingly, these new actors operating on international scene, offer valid alternatives to the established way of conducting politics, economic diplomacy, and essentially business, thereby reversing the established equilibria of power in certain regions. As several authors point out, “geopolitics and geo-economics are often addressed together, with the latter seen as a sub-variant of the former”.⁶ Since geo-politics and geo-economics bear different qualities and explanatory capacities, in this paper a distinction between them will be held. Seen in this way, geo-economics offers a useful backing to the key argument advanced in this paper.

Since its inception, the ENP has been subject to critique and discontent. Today, voices critical to the ENP stress that it failed. The ENP’s failure, so the argument goes, is manifested by the fact that the EU did not succeed in establishing a ring of friends at its borders. That failure is further epitomized by developments associated with the Arab Spring and with growing instability beyond the EU’s eastern frontier.⁷ One of

³ S. Baru, *Geo-economics and Strategy*, “Survival”, vol. 54, no. 3/2012, pp. 47–58.

⁴ E.N. Luttwak, *The coming global war for economic power: there are no nice guys on the battlefield of geo-economics*, “The international economy”, no. 7(5)/1993, pp. 18–67; E.N. Luttwak, *From geo-politics to geo-economics: Logic of conflict, grammar of commerce*, “The National Interest”, no. 20/1990, pp. 17–24.

⁵ M. Mattlin, M. Wigell, *Geo-economics in the context of restive regional powers*, “Asia Europe Journal”, no. 14(2)/2016, pp. 125–134.

⁶ M. Wigell, A. Vihma, *Geopolitics versus geo-economics: the case of Russia’s geostrategy and its effects on the EU*, “International Affairs”, no. 92/2016, pp. 605–627.

⁷ G. Bosse, *The Eastern Partnership and the disintegration of Eastern Europe: The end of the region-building project?*, “European View”, vol. 13, issue 1/2014; M. Nilsson, D. Silander, *Democracy and Security in the EU’s Eastern Neighborhood? Assessing the ENP in Geor-*

the arguments advanced in this paper is that to judge the ENP against the background of goals inscribed in that policy-framework back in 2003 is harsh and unfair. The Authors also argue that the politics of the ENP implementation displays a tremendous expectations-outcomes gap. That gap in itself may have been the result of overoptimistic expectations invested in the ENP since its launch. Indeed, the ENP is the outcome of ideas and ideals that shaped the EU's and its member-states' thinking about the world triggered by the spirit of democratic and liberal change that spread across Europe post-1989. As the world has undergone tremendous qualitative change since then, a new approach to the study of the ENP is needed. To this end, by employing a two-pronged, inside-out and outside-in approach to the study of the ENP, this paper seeks to offer a more balanced insight into the ENP and the efficacy of its implementation.

The discussion in this paper builds on the assumption that the economic implications – and their derivatives in the fields of politics and social attitudes – of the twin global financial and euro area crises have had a clear impact on the EU and its member-states and their stance towards the ENP and its implementation. From a different angle, the argument in this paper rests on the assumption that the developments in the global economy and the crisis of leadership that the EU was through amid the euro area crisis, impacted the ENP partner-countries too. The big question is how these two sets of factors and vectors of dynamics converging around the question of the ENP influenced its efficacy. To address this question, the argument in this paper is structured as follows. In the first section, a brief overview of the debate on the ENP and its implementation is presented. In what follows, some points on the twin-crises' impact on the ENP partner-countries are made. In the next move, the integrated approach to the study of the ENP is introduced. Conclusions follow.

The ENP: Exploring the Expectations-Outcomes Gap

Over the past few years, the ENP became subject of renewed critique with several commentators pointing to the Arab Spring, the war in Syria,

gia, Moldova, and Ukraine, "Democracy and Security", vol. 12, issue 1/2016; A. Cianciara, *Europejskie imperium. Ekspansja i geopolityczna rywalizacja na wschodnich peryferiach Unii Europejskiej* [*The European Empire. Expansion and geopolitical rivalry on the European Union's Eastern Periphery*], „Studia Polityczne”, no. 34/2014; A. Legucka, *Conflict management we „wspólnym sąsiedztwie” Unii Europejskiej i Rosji. Między soft i hard power* [*Conflict Management in the EU–Russia Shared Neighbourhood. Between Soft and Hard Power*], „Zeszyty Naukowe AON”, no. 4(93)/2013; A. Harasimowicz, *Europejska polityka sąsiedztwa* [*European Neighbourhood Policy*], „Studia Europejskie”, no. 2/2016.

the war in Ukraine⁸ and an overall condition of political disarray in the EU's neighbourhood as evidence of the ENP's failure.⁹ Today, bluntly, several authors argue that the attempt to create a 'ring of friends' at the EU's borders, was a failed idea. As the 2011 revamp of the ENP failed in matching the expectations-outcomes gap defining the politics of the ENP implementation, the 2015 review of the ENP introduced a new approach based on differentiation, joint ownership and flexibility. The 2017 review of progress of attained¹⁰ confirms, nevertheless, that the ENP remains a challenging and contingent policy-framework.

The ENP is the outcome, and so the heir, of ideas and ideals that shaped the EU's and its member-states' thinking about the world, and so of the EU's closest environment, borne out of the spirit of democratic and liberal change that spread across Europe post-1989. In the early 2000s, the ENP was an important aspect of the EU's external relations strategy. At that time, it was driven by provisions enshrined in the 2003 European Security Strategy and the concept of effective multilateralism. The prospect of eastern enlargement, also an outcome of the liberal and democratic change and reform process that swept Europe post-1989, served as another very important trigger behind the ENP's emergence. The ENP has also inherited some weaknesses and/or contingencies that marred the implementation of the Barcelona Process and the Euro-Mediterranean Partnership. At that time, the notion of asymmetry in negotiating so called bilateral Association Agreements between the Euro-Mediterranean Partnership (EMP) individual partner-states and the EU acting *en bloc* was

⁸ G. Bosse, op.cit.; M. Nilsson, D. Silander, op.cit.; A. Cianciara, op.cit.; A. Legucka, op.cit.; A. Harasimowicz, op.cit.

⁹ F. Melo, *Perspectives on the European Neighbourhood Policy failure*, "Journal of European Integration", vol. 36, issue 2/2014; G. Noutcheva, *Institutional Governance of European Neighbourhood Policy in the Wake of the Arab Spring*, "Journal of European Integration", vol. 37/2015; A. Gawrich, I. Melnykovska, R. Schweickert, *Neighbourhood Europeanization through ENP: The Case of Ukraine*, "Journal of Common Market Studies", vol. 48, no. 5/2010; T.L. Moga, *Forging Good Societies in the EU's Eastern Neighbourhood*, "European Journal of Science and Technology", June 2013, vol. 9, supplement 2; N. Tocci, *The Neighbourhood Policy is Dead. What's Next for European Foreign Policy Along its Arc of Instability?* "IAI Working Papers", no. 14, November 2014; M. Skorzycki, *Arabska Wiosna jako szansa na reset w relacjach Unii Europejskiej z jej południowym sąsiedztwem [The Arab Spring as a Reset Opportunity for Relations of the European Union with its Southern Neighborhood]*, "Przegląd Politologiczny", no. 1/2014.

¹⁰ European Commission, 'Revised European Neighbourhood Policy: supporting stabilisation, resilience, security today', Brussels, 18.05.2017; European Commission, Report on the Implementation of the European Neighbourhood Policy Review, Joint report to the European Parliament, the Council, the European economic and social committee and the committee of the regions, Brussels, 18.05.2017, JOIN(2017) 18 final.

pointed out as contingent. Similarly, the fact that the group of countries invited to join the EMP included partners such as Syria, Lebanon, the Palestinian Authority and Israel undermined the multilateral negotiation process from the outset as representatives of these countries did not see it appropriate to seat at the same negotiating table with Israel. That Turkey was included in the initial group of countries covered by the ENP, which caused Turkey's outrage at that time, did not make the EMP the success story of the day. The ENP, with its focus to the South and to the East, inherited those contingencies as well as the political tensions running not only across the Southern Mediterranean, but also across the Eastern Europe and Caucasus.

From a different angle, the ENP was also criticised for its lack of a EU membership promise. In this vein, it was argued that the ENP was stripped of its soft power capacity in that no 'carrot' was involved in the deal. The problem with this argument is that it overlooks the fact that, from its inception, the ENP was not meant as an interlude to enlargement/membership. The ENP has always been a policy-framework designed to manage the EU's relations with its neighbours. Clearly, countries involved in the Southern Dimension of the ENP are not eligible for EU membership. Regarding the Eastern Dimension of the EaP, not all of these countries fulfil the key eligibility criteria either. Certainly, the question remains as to what extent the ENP succeed in promoting the principles and ideas of democracy, liberal economic order and so peace, stability and prosperity in its neighbourhood.

Indeed, the list of arguments employed by means of a critique of the ENP demonstrates a considerable disenchantment with this policy framework. As such it suggests that an expectations-outcomes gap emerged in the politics of the ENP implementation. From a different angle, however, it also indicates that the ENP was seen by many as a powerful tool by means of which the EU and its member-states would exert considerable impact on its neighbours. While this take to the ENP manifests a dose of wishful thinking it is also very Eurocentric, if not arrogant. In other words, central in this inside-out approach to the ENP that prevailed, was the act of assessing the ENP from the insiders' perspective.¹¹ Frequently, the ENP itself would serve as the key interpretive lens through which the developments in the EU's external context were examined. In this way, a certain reductionist logic to mechanisms underpinning developments in the broader region beyond the EU's eastern and southern frontiers was applied and the ENP, and so the EU, even if implicitly, as the key levers of

¹¹ Certainly, 'outsiders', e.g. Russia, also have their point of view on this issue; methodologically speaking, it is nevertheless a different issue.

change in those regions. We argue that the value added of this approach notwithstanding, it obscures our understanding of the ENP and the politics of its implementation. To address these concerns, this paper advances an integrated two-pronged approach to the study of the ENP.

This approach is consistent with applying both an inside-out and an outside-in approach to the study of the ENP. Drawing on the value added of this methodological approach, the paper maps the dynamics that unfold at diverse levels and dimensions of the ENP, thus conditioning its efficacy. In this context, the notions of geopolitics and geo-economics are employed to argue that the gap between expectations allocated in the ENP by its diverse stakeholders and the ENP's outcomes may in fact be result of factors other than the specific provisions and modes of the ENP implementation. The analytical model employed in this study allows combining the dominant in the literature insight-out approach to the study of the ENP with an alternative outside-in perspective to the ENP. The latter perspective, by placing the ENP in a broader geopolitical context reasserts the ENP's status as an object of study. In other words, by changing the perspective of the inquiry, the analytical location of the ENP changes and criticisms addressed towards the ENP can be re-thought.

Assuming the outside-in perspective, we argue that the ENP has been the product of the period of epochal change that changed the face of Europe post-1989. As such it was still poignant with ideas, ideals and hopes that following the end of the cold war a better peaceful and prosperous world was possible. That hope was reflected in the 2003 European Security Strategy and the principle of effective multilateralism enshrined therein. At the heart of that approach was an attempt to foster dialogue and mutual understanding for the sake making the world freer (if not more democratic) and facilitating trade exchange. Implicit in effective multilateralism was a concern of impending risks and threats in the EU's neighbourhood, but also a recognition that an involvement of several stakeholders was necessary. From this perspective, the ENP, embedded in that conceptual framework, could only serve as one of many policy-frameworks implemented by diverse stakeholders, local and not, in the focus regions.

The value added of the integrated two-pronged approach to the politics of the ENP implementation is two-fold. It pays equal emphasis to the ENP seen, on the one hand, as a distinct policy-framework implemented by the EU and its member-states, and on the other hand, as a policy-framework implemented in regions/countries representing an arena of competing claims, interests, perspective and affiliations. As a result, the integrated approach allows us to account for developments, processes and

events that while not of the EU's own making exert direct impact on the ENP and the politics of its implementation. Since its onset, as this section depicted, the ENP was beset by a great variety of contingencies. The twin global financial and euro area crises induced new, frequently, countervailing, dynamics to the ENP and its implementation. The following section elaborates on it, i.e. it highlights the key issues, developments and processes that have conditioned the ENP implementation over the past years.

Factors Influencing the ENP and Conditioning Its Efficacy

Several factors, developments and processes define the dynamics behind the ENP and therefore condition its efficacy. These include, factors inherent in the EU-level policy making, developments specific to the EU member-states and in the ENP partner-countries, as well as factors of a broader horizontal scope and vertical penetration. Figure 1 visualises these sets of factors and seeks to highlight the frequently inter-locking dynamics, overlaps and feedback effects that unfold among those factors, developments and processes.

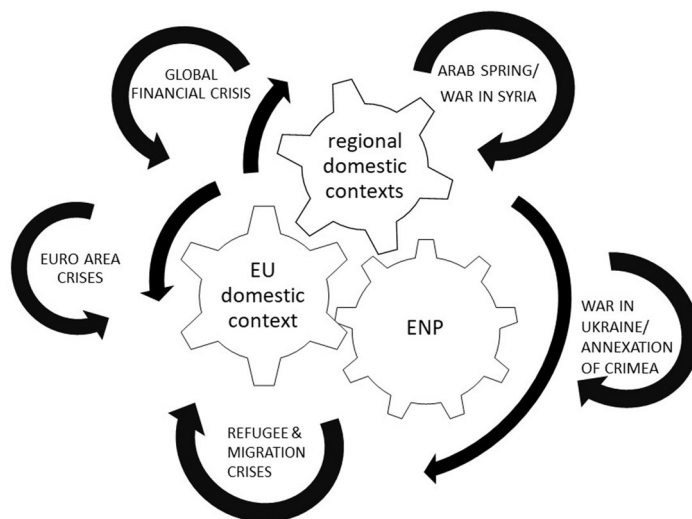


Figure 1. The ENP and its domestic and external contexts

Source: The Authors.

Since its onset, the domestic dimension of the ENP implementation has been conditioned by changes in the regulatory framework defining the ENP. One of the changes is the shift from European Neighbourhood and

Partnership Instrument (ENPI) to European Neighbourhood Instrument (ENI).¹² Over the period 2007 and 2013, the ENP was financed by a new policy tool, i.e. the European Neighbourhood and Partnership Instrument (ENPI). One of the sensitive issues that emerged as a result of the implications of the global financial crisis 2008+ was that of the volume of financing available to the ENP partner-countries. The fear was that due to economic recession that hit nearly all of the EU member-states, their propensity to contribute to the EU budget would decline and so the level of expenditure on the ENP implementation.¹³

Indeed, in consequence of the financial crisis of 2007–2009, followed by economic recession in the euro area, several governments run into sovereign debt crisis and/or experienced significant drop in budgetary revenues. The IMF's engagement in the euro area and the EU economic governance reform that was thus necessary, undermined the status quo across Europe regarding the functioning of the EU budget and placed the question of fiscal solidarity, and thus also of fiscal federalism, in spotlight. Fiscal and economic hardship across the EU member-states raised valid questions of the size of the EU budget as negotiated in the framework of the Multiannual Financial Framework. The outstanding question in this context was that of the EU's ability and willingness to maintain its expenditure in the 2014–2020 MFF at pre-crisis level; funds available for the ENP were of key concern for those interested.

The 2007–2013 ENPI had a financial envelope of EUR 11 181 million,¹⁴ which constituted an increase in the ENP financing of about 2700 million as compared to the period 2000–2006.¹⁵ The ENPI was addressed to all ENP partner-countries, i.e. to countries beyond the EU's southern and eastern frontiers as well as to Russia. The funds avail-

¹² For details concerning the ENP financial instruments as well as the financial programmes offered to the EU's neighbouring countries before the implementation of the ENP see e.g.: A. Nitszke, *W kierunku nowej Europejskiej Polityki Sąsiedztwa Unii Europejskiej*, "Rocznik Integracji Europejskiej", no. 10/2016.

¹³ R. Sadowski, *The future of the ENPI: towards separate financial instruments for the Union for the Mediterranean and the Eastern Partnership?* "Eastern Partnership Review", no. 4, November 2011; R.G. Whitman, A.E. Juncos, *The Arab Spring, the Eurozone Crisis and the Neighbourhood: A Region in Flux*, "Journal of Common Market Studies", vol. 50, issue 2/2012.

¹⁴ Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, Official Journal of the European Union, 9.11.2006, Article 29.

¹⁵ P. Pasierbiak, *Finansowanie europejskiej polityki sąsiedztwa [Financing the European Neighbourhood Policy]*, "Yearbook of the Institute of East-Central Europe", vol. 9, no. 4/2011, p. 170.

able in the budget of this instrument could be allocated for financing national and multi-country programmes (up to 95% of the budget), and for cross-border cooperation (up to 5% of the budget). Although the ENPI was an instrument that seemed to have been tailored to the needs of the EU and its neighbours, its mid-term evaluation identified several areas that required improvement, e.g. for the ENPI to become simpler and the overall ENP policy more effective.¹⁶ The debate on possible improvements of the ENP financing in 2014–2020 led to the introduction of a new policy tool, i.e. the European Neighbourhood Instrument (ENI).

Contrary to fears, expressed by many, regarding the impact of the global financial crisis on the level of expenditure for the ENP, the financial envelope of ENI for 2014–2020 has been agreed at the level of EUR 15 432.634 million.¹⁷ It constituted a significant increase in funding as compared to the previous EU's financial framework 2007–2013. The important observation here is as follows. Accordingly, even if some stakeholders expressed their concern that the ENP financing would fall prey to the euro area crisis and economic recession related decreased propensity on the part of the EU member-states to contribute to the EU budget, the concerns did not materialize. It should be noted, however, that the increased financial resources dedicated for the ENP reflected, to some extent, the growing need of the EU and its neighbours to increase security and stability in the region.

Regarding the factors originating from the external dimension, the global financial crisis and the euro area crises¹⁸ played major roles as catalyst of adverse dynamics in trade and FDI flows to the ENP partner-countries¹⁹. The Arab Spring had an overall destabilizing impact on de-

¹⁶ For details concerning the ENPI revision see, e.g., M. Slusarciuc, *Flexible and Improved Implementation of the European Neighbourhood Policy*, in: *European Union in Times of Crisis: Perspectives and Solutions*, eds. G.C. Pascariu, R. Țigănașu, C. Încălțărău, Editura Universității 'Alexandru Ioan Cuza' Iași, Iași 2014, pp. 245–246.

¹⁷ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument, Official Journal of the European Union, 15.03.2014, Article 17.

¹⁸ A. Visvizi, *Social Innovation in the EU and the Black Sea Region: trends, challenges and opportunities*, "Xenophon Paper", December 2013, no. 13, pp. 77–87.

¹⁹ J. Stryjek, *The European Neighbourhood Policy and FDI: the Southern Dimension*, "Yearbook of the Institute of East-Central Europe", vol. 14, no. 6/2016; K. Falkowski, J. Stryjek, *European Neighbourhood Policy and FDI: Eastern Dimension*, in: *The Eastern Partnership under strain – time for a rethink?*, eds. G.C. Pascariu, T.L. Moga, L.M. Simionov, Editura Universității "Alexandru Ioan Cuza" Iași, Iași 2016.

velopments in the ENP's southern dimension.²⁰ As the EU's focus on the developments in the Southern Mediterranean made many wonder if the EaP has been perhaps less attractive to the EU,²¹ the war in Ukraine and the annexation of Crimea, made it clear that the EU's attempts to effect change in its neighbourhood may in fact be only one of many vectors of power in the region. The war in Syria resulted in a suspension of ENP funding for the Syrian government, due to the regime's violent repression of the civilian uprising in 2011.²² Nevertheless, the EU has continued to support the Syrian people through humanitarian assistance to save lives, as well as aid to provide essential services and support civil society.²³ Since the outbreak of the war, the EU had collectively (i.e., the EU and its member states) mobilised more than EUR 9.4 billion in response to the Syrian conflict both inside Syria and in the region.²⁴

The war in Syria as well as the wave of unrest that shook the region served as trigger of refugee flow and an opportunity for renewed migratory flows. The resultant unprecedented for European standards post-WW2 influx of over 1 million of refugees and migrants exacerbated the already fragile political balance among the EU member-states,²⁵ hence igniting what has been dubbed as migration crisis.²⁶ The point here is that the nature of these developments, the spin offs they have generated as well as frequently negative feedback effects they have triggered have had influence on the ENP and the efficacy of its implementation.

²⁰ K. Górak-Sosnowska, J. Danecki, *The socio-cultural dimension of the Southern Partnership: contingencies and prospects*, "Yearbook of the Institute of East-Central Europe", no. 14(6)/2016, pp. 107–119.

²¹ T. Stepniewski, A. Visvizi, *Shifting emphasis of the ENP: is the EaP less 'sexy'?* "Yearbook of the Institute of East-Central Europe", no. 14(6)/2016, pp. 199–210.

²² The EU suspended its bilateral cooperation with the Syrian government in May 2011. Syria's participation in regional programs was suspended in September 2011 and the provision of loans and technical assistance through the European Investment bank was ceased in November 2011 (European Commission, *Syria*, https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/syria_en, last visited 14.04.2017).

²³ European Commission, Joint Communication to the European Parliament and the Council: Elements for an EU Strategy for Syria, Strasbourg, 14.03.2017, JOIN(2017) 11 final.

²⁴ *Ibidem*.

²⁵ C. Mazzucelli, A. Visvizi, R. Bee, *Secular states in a 'security community': the migration-nexus?*, "Journal of Strategic Security", vol. 9, no. 3/2016, pp. 16–27.

²⁶ M. Pachocka, *The Eastern Partnership in Times of the Migrant and Refugee Crisis in the European Union*, in: *The EU Association Agreements with Georgia, Moldova and Ukraine: Through Cooperation Towards Integration*, eds. C.E. Pacheco Amaral, V. Cucerescu, G. Gabrichidze, I. Horga, A. Kruglashov, E. Latoszek, M. Pachocka, ECSA-Moldova Tipografia "Print-Caro", 2017, pp. 17–31.

The Global Financial Crisis, the Volumes of Trade and the ENP Partner-Countries

Since its onset, the implementation of the ENP has been based on the assumption that external liberalization coupled with domestic economic reforms could be given priority over political changes.²⁷ The expected gains resulting from the changes in the economic sphere were intended to facilitate future political reforms in the EU's neighbouring countries. What is important in the context of this study is that the economic integration of the EU with the ENP countries was expected to be profitable for the EU neighbours. The process of economic integration was developed through bilateral instruments that included trade components and specific co-operation schemes depending on the interest of either the EU or the ENP partner-countries.²⁸ Notably, the trade component of collaboration was of high significance from the point of view of the debate on the possible and appropriate (target) models for future economic integration among the EU and the ENP partner-countries.

When the ENP was launched, the scope of potential economic integration models for the EU and its neighbours ranged from models incorporating bilateral deep free trade agreements, multilateral simple free trade arrangements, and models incorporating a stake in the common market, with its four (or three²⁹) freedoms, which was seen as the most attractive economic offer.³⁰ However, the global financial crisis of 2008+ affected the trade flows between the EU and the ENP countries. Most importantly, the crisis introduced an element of uncertainty regarding future development of the economic integration.

The consequences of the global financial crisis varied widely across the world. The developed economies were confronted with the primary, i.e. affecting directly the financial markets, and with secondary, i.e. related to aggregate supply and demand and hence the volume of trade and current account balance, implications of the global financial crisis. The transition and developing economies were affected mostly by the secondary implications of the crisis. The falling volumes of trade had frequently dramatic implications for these countries' economies given their dependence on resources, i.e. petroleum or for instance bauxite. The implications of the global financial crisis on the ENP economies has been well-documented.³¹

²⁷ J. Stryjek, *The European Neighbourhood Policy and FDI: the Southern Dimension*, "Yearbook of the Institute of East-Central Europe", vol. 14, no. 6/2016, p. 64.

²⁸ See: A. Gawrich, I. Melnykovska, R. Schweickert, op.cit.

²⁹ With the exception of the freedom of labour.

³⁰ A. Gawrich, I. Melnykovska, R. Schweickert, op.cit.

³¹ European Commission, *The Impact of the Global Crisis on Neighbouring Countries of the EU*, "European Economy", Occasional Papers No 48, June 2009.

The global financial crisis and its secondary implications were apparent in global trade flows very quickly. Although in 2008 the world trade volume increased, it grew only by 4,4%, which constituted nearly half of the average annual growth over the period 2004–2007.³² Next – in 2009 – there was a dramatic fall of the trade volume, and the EU’s total trade with the world decreased by 19,5% compared to the previous year (see Annex 1). Similarly, the downward trend was reflected in the trade flows of the EU’s neighbours. The highest decrease in the total volume of trade (with the world) took place in Azerbaijan (-60% in comparison to the previous year), Ukraine (-41%), Belarus (-27%), Libya (-26,6%), Georgia (-26,2%), Moldova (-25,9%), and Algeria (-25%). In almost all the above mentioned countries the decrease was due to the fall of both imports and exports. The only exemptions were Algeria and Libya, in case of which the value of imports increased in comparison to the previous year (by 15.1% in Libya and by 4.9% in Algeria), but it was accompanied by a very big drop in the value of exports (see Annex 1).

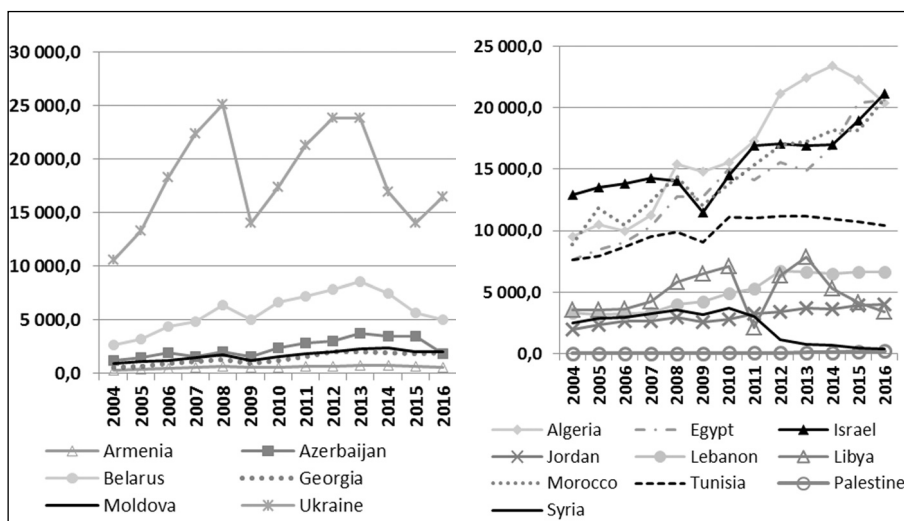


Figure 2. ENP Eastern and Southern Dimensions countries: imports from the EU (all products) in mln of euro

Source: Eurostat data, authors' elaboration.

³² Ibidem, p. 35.

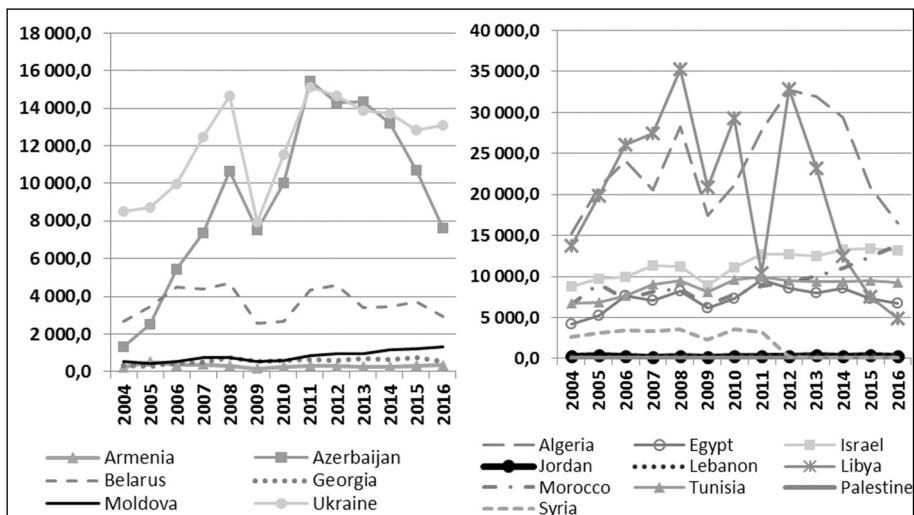


Figure 3. ENP Eastern and Southern Dimensions countries: exports to the EU (all products) in mln of euro

Source: Eurostat data, authors' elaboration.

Figure 2 and Figure 3 present trade flows between the EU and the individual ENP countries. As far as the countries representing the Eastern Dimension of the ENP are concerned,³³ in 2009 the volume of exports almost halved in Armenia, Ukraine and Belarus, and in case of the other countries it decreased by about 30% (see Figure 2). The countries' imports from the EU also diminished, but to a lesser extent (by over 44% in Ukraine, and by 20–27% in the rest of the group – see Figure 1), which made the countries face strong deterioration of trade balances³⁴ (in the trade with the EU). In case of the ENP Southern Dimension countries³⁵ the situation was more diversified. The biggest drop in exports took place in Libya (by 41%), Jordan (40%), Algeria (38%), and Syria (35%) – see Figure 2. It was accompanied by a subtler decrease in imports, i.e. by 18% in Israel, by 17% in Morocco and Palestine, by 12% in Jordan, and by 11% in Syria. Tunisia, Algeria and Egypt experienced only relatively

³³ Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine.

³⁴ Only Algeria, Azerbaijan, and Syria had positive trade balances in goods with the EU over the period from the implementation of the ENP until the moment they were hit by the crisis (in all the cases the balances were based on exports of energy commodities). The fluctuations in their respective positive trade balances during this period reflected to a large extent changes in world energy prices. Negative trade balances in goods with the EU were recorded for all the other ENP countries.

³⁵ Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Tunisia, Palestine, Syria.

small import falls, and in case of Libya and Lebanon the imports to the EU increased by 12% and 6% respectively.

Although the crisis resulted in a dramatic collapse of trade between the EU and its neighbouring countries in 2009, its negative consequences (from the trade development point of view) have not lasted for a long time. The trade exchange between the parties in question increased again in 2010, and in many cases continued to grow in the subsequent years (see Figure 3 and Figure 4). The upward trend continued until the Arab Spring in the Southern neighbourhood, and until the Ukrainian conflict with Russia in the Eastern neighbourhood (with a few exemptions – see Figure 3 and Figure 4).

Summing up, the global economic crisis had a negative impact on the EU bilateral trade with all the neighbouring countries. However, the countries experienced diverse types of trade turbulences, as they considerably differed from each other, for instance, in the trade structure. Although the EU has been the largest single trading partner of almost all of them (with the exemption of Belarus), both the share of the EU in their global trade and the sectoral structure of the trade were differentiated. The sectoral structure of the ENP countries was as follows:

- Algeria, Azerbaijan, Belarus, Egypt, Georgia, Libya and Syria exported mainly (or even sometimes almost exclusively) fuel primary commodities (petroleum, natural gas);
- Lebanon, Moldova, Morocco and Tunisia exported mainly labour-intensive and recourse-based goods;
- Armenia and Ukraine exported mainly low-skill capital-intensive goods;
- Israel and Jordan exported high-skill capital-intensive commodities.³⁶

In addition, even though the ENP countries have been covered by common neighbourhood policy, they trade relations with the EU were regulated mostly with the use of bilateral agreements, and not with the multilateral one. Such attitude fostered differentiation of the trade policies and – in that way – influenced the trade flows between the EU and the individual neighbours. For example, during the ‘trade shock’ of 2009 most of the EU’s Southern neighbours continued to implement the provisions of Association Agreements, which included dismantling of tariffs on industrial products under Free Trade Agreements (FTAs), and only

³⁶ D. Kallioras, A.M. Pinna, *Trade activity between the EU and its neighbouring countries: trends and potential*, “Tijdschrift voor Economische en Sociale Geografie”, vol. 108, issue 1/2017, pp. 43–44.

two countries – Tunisia and Palestine – had a fully effective and implemented FTA with the EU at that time.

Conclusions

Departing from query of the prevailing in the literature inside-out approach to the study of the ENP, in this paper an integrated two-pronged perspective to the discussion on the politics of the ENP implementation was employed. Concerned by the fact that the inside-out approach tends to apply the ENP also as the key interpretive lens through which the developments in the EU's external context are examined, in this paper emphasis was placed on the outside-in analysis. In this way, the dynamics that unfold at diverse levels and dimensions of the ENP was mapped, and the frequently negative feedback effects unfolding between the external and the domestic dimensions of the ENP implementation were highlighted. The notions of geopolitics and geo-economics were stressed to argue that the specific to the politics of ENP implementation expectations-outcomes gap may in fact be driven by factors other than those specific to the ENP per se. By examining the case of trade exchange, the paper raised the big question of the nature and efficacy of the ENP and, overall, of limits and nature of the EU's role in its neighbourhood

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Annex 1. ENP Eastern and Southern Dimensions countries and the EU: Trade with World

Armenia, Trade with World				Israel, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	1,448	783	2,231	2005	36,125	34,173	70,297
2006	1,745	785	2,530	2006	38,027	36,985	75,012
2007	2,384	841	3,225	2007	41,297	39,437	80,734
2008	3,009	719	3,728	2008	44,299	41,724	86,023
2009	2,369	500	2,869	2009	33,959	34,203	68,162
2010	2,828	785	3,613	2010	44,655	44,064	88,718
2011	2,977	959	3,936	2011	52,827	48,319	101,147
2012	3,319	1,112	4,431	2012	56,912	49,183	106,095
2013	3,371	1,114	4,485	2013	54,136	50,134	104,270
2014	3,313	1,144	4,457	2014	54,404	51,905	106,309
2015	2,933	1,340	4,273	2015	55,885	59,522	115,408
Azerbaijan, Trade with World				Jordan, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	3,385	3,494	6,879	2005	8,438	3,457	11,895
2006	4,195	5,075	9,270	2006	9,197	4,145	13,342
2007	4,169	4,420	8,589	2007	9,873	4,038	13,911
2008	4,878	32,469	37,347	2008	11,555	4,245	15,800
2009	4,370	10,507	14,877	2009	10,207	3,614	13,821

2010	4,966	15,955	20,921	2010	11,740	4,480	16,220
2011	6,997	19,047	26,044	2011	13,599	4,836	18,435
2012	7,488	18,528	26,016	2012	16,182	6,292	22,475
2013	8,029	18,012	26,041	2013	16,603	5,094	21,696
2014	6,905	16,400	23,305	2014	17,248	5,470	22,719
2015	8,292	10,332	18,624	2015	18,446	6,090	24,536
Belarus, Trade with World				Lebanon, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	13,430	12,842	26,271	2005	7,507	1,465	8,972
2006	17,793	15,711	33,504	2006	7,484	1,776	9,260
2007	20,936	17,713	38,649	2007	8,621	2,006	10,627
2008	26,775	22,145	48,920	2008	10,971	2,331	13,303
2009	20,479	15,258	35,737	2009	11,632	2,463	14,095
2010	26,314	19,072	45,386	2010	13,550	2,911	16,461
2011	32,873	29,755	62,628	2011	14,404	3,018	17,422
2012	36,118	35,825	71,943	2012	16,563	3,489	20,052
2013	32,394	27,959	60,353	2013	16,858	2,912	19,769
2014	30,487	27,133	57,620	2014	15,426	2,494	17,920
2015	27,277	23,992	51,269	2015	16,286	2,661	18,947
Georgia, Trade with World				Libya, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	2,002	684	2,686	2005	7,049	23,382	30,431
2006	2,925	775	3,700	2006	8,178	31,350	39,529
2007	3,808	902	4,710	2007	9,546	31,767	41,313
2008	4,286	1,017	5,304	2008	13,468	41,894	55,362
2009	3,105	807	3,912	2009	15,507	25,154	40,662
2010	3,966	1,265	5,231	2010	17,348	34,106	51,454
2011	5,056	1,571	6,627	2011	6,166	12,620	18,786
2012	6,255	1,849	8,105	2012	17,439	42,153	59,593
2013	6,032	2,191	8,223	2013	20,482	29,412	49,894
2014	6,468	2,153	8,621	2014	14,778	14,442	29,220
2015	6,962	1,986	8,948	2015	12,215	9,349	21,565
Moldova, Trade with World				Morocco, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	1,843	876	2,719	2005	16,469	8,715	25,184
2006	2,142	834	2,976	2006	18,528	9,781	28,309
2007	2,689	973	3,662	2007	22,780	10,548	33,327
2008	3,336	1,089	4,426	2008	27,623	12,860	40,484
2009	2,355	923	3,278	2009	23,225	9,651	32,876
2010	2,914	1,164	4,078	2010	26,506	12,525	39,031
2011	3,737	1,595	5,331	2011	31,340	14,936	46,276
2012	4,064	1,678	5,742	2012	33,383	15,183	48,566

2013	4,144	1,796	5,940	2013	33,689	16,379	50,068
2014	3,991	1,734	5,725	2014	34,333	17,764	52,097
2015	4,513	1,897	6,410	2015	33,375	19,054	52,429
Ukraine, Trade with World				Tunisia, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	29,060	27,303	56,362	2005	10,712	8,114	18,826
2006	35,809	30,358	66,167	2006	11,969	9,055	21,024
2007	43,833	35,934	79,767	2007	13,915	10,793	24,708
2008	58,154	45,474	103,628	2008	16,686	12,665	29,351
2009	32,595	28,552	61,147	2009	13,738	10,015	23,754
2010	45,817	38,797	84,614	2010	16,511	11,955	28,466
2011	59,344	49,146	108,490	2011	16,900	12,329	29,229
2012	65,892	53,557	119,449	2012	18,697	12,685	31,382
2013	57,950	47,668	105,619	2013	17,877	12,300	30,177
2014	40,935	40,580	81,515	2014	18,294	12,044	30,338
2015	33,801	34,371	68,172	2015	17,862	12,110	29,972
Algeria, Trade with World				Syria, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	15,957	37,013	52,970	2005	11,794	7,185	18,979
2006	17,022	43,444	60,466	2006	13,683	8,246	21,929
2007	19,929	43,177	63,105	2007	15,765	8,886	24,651
2008	26,876	53,915	80,790	2008	18,716	10,420	29,135
2009	28,181	32,402	60,582	2009	16,346	8,963	25,308
2010	30,553	43,036	73,588	2010	20,522	12,055	32,577
2011	33,950	52,799	86,749	2011	19,950	12,036	31,987
2012	39,234	55,937	95,171	2012	15,335	9,817	25,153
2013	41,332	49,660	90,991	2013	13,393	10,256	23,650
2014	44,986	45,263	90,250	2014	14,598	9,500	24,098
2015	47,433	31,153	78,586	2015	16,462	11,265	27,727
Egypt, Trade with World				European Union, Trade with World			
Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)	Period	Imports (mln EUR)	Exports (mln EUR)	Total trade (mln EUR)
2005	15,807	8,501	24,307	2005	1,368,254	1,152,485	-
2006	16,202	10,796	26,999	2006	1,450,340	1,234,482	2,520,739
2007	19,490	11,652	31,141	2007	1,585,231	1,309,147	2,684,822
2008	35,645	17,733	53,378	2008	1,235,636	1,093,961	2,894,378
2009	32,015	17,268	49,284	2009	1,531,518	1,354,055	2,329,598
2010	39,839	20,559	60,399	2010	1,729,980	1,554,511	2,885,573
2011	44,652	22,650	67,302	2011	1,798,339	1,684,681	3,284,491
2012	52,554	22,758	75,313	2012	1,687,440	1,736,371	3,483,020
2013	49,057	21,756	70,812	2013	1,692,185	1,702,915	3,423,812
2014	51,327	20,092	71,420	2014	1,729,207	1,789,154	3,395,100
2015	62,901	19,035	81,936	2015	1,706,413	1,745,730	3,518,361

Source: European Commission, European Union, Trade in goods with Armenia, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113345.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Azerbaijan, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113347.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Belarus, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113351.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Georgia, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Moldova, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113419.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Ukraine, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Algeria, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113343.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Egypt, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113375.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Israel, 16.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Jordan, 16.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113404.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Lebanon, 16.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113412.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Libya, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113414.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Morocco, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113421.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Tunisia, 17.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122002.pdf (last visited 29.04.2017); European Commission, European Union, Trade in goods with Syria, 16.02.2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113451.pdf (last visited 29.04.2017).

Key words: European Neighbourhood Policy (ENP), Geo-economics, Trade Exchange, Methodology

Abstract

The global financial crisis 2008+ and the euro area crisis highlighted how fragile the institutional set-up of today's world is. Moreover, these crises reminded us that questions of international collaboration and multilateralism as well as questions of security, in all its dimensions, remain as valid as ever. Taking these observations as a point of departure, this paper asks the question of how these twin-crises and their implications influenced the ENP and its efficacy. To this end, an integrated two-pronged approach to the study of the ENP is employed to gain a more comprehensive insight into the ENP, its evolution and the impact it can actually exert on the EU's neighbourhood.